

Message Text

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ORIGIN EB-11

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TO AMEMBASSY LA PAZ PRIORITY

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E.O. 11652: N/A

TAGS: EMIN, BL

SUBJECT: TIN DISPOSALS

REF: A. STATE 228961

B. LA PAZ 2060

C. STATE 230971

1. FOLLOWING ARE ANSWERS TO QUESTIONS IN REFTEL (B):

A. WHEN DEPT CONSULTED WITH PRODUCERS, WE INFORMED THEM GSA PLANNED TO MAKE PUBLIC ANNOUNCEMENT OF NEW PROGRAM ON NOV. 30 AND ASKED FOR THEIR REPLIES BEFORE THAT DATE.

B. BEFORE OPENING TIN CONSULTATIONS DEPT TOOK STATUS OF COTTON CONTRACTS PROBLEM INTO CONSIDERATION. CONCLUSION WAS REACHED THAT CONSULTATIONS NEED NOT BE FURTHER DEFERRED. IF DISPOSAL PROGRAMS WERE FIRMLY LINKED TO OTHER PROBLEMS IN PRODUCER COUNTRIES , PROGRAMS COULD BE
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HELD UP INDEFINITELY.

C. DEPT HAS CAREFULLY REFRAINED FROM USING PRECISE FIGURES IN CONSULTATIONS WITH PRODUCERS IN ORDER NOT GIVE IMPRESSION THAT GSA HAS SALES "TARGET/ FIGURE. 12,000 TON FIGURE FOR LONG-TERM CONTRACTS IS "EXPECTATION" OF GSA AND NOT RPT NOT TARGET FIGURE. GSA MUST TEST MARKET TO ASCERTAIN PURCHASERS' RESPONSE. ALTHOUGH SOME CURRENT

CONTRACTS, NO ONE IS CERTAIN OF EXACT AMOUNT GSA WILL BE ABLE SELL UNDER THESE CONTRACTS. IN ANY CASE, DELIVERIES WOULD BE SPACED UP TO MAXIMUM OF ONE YEAR AND SHOULD HAVE LESS DIRECT EFFECT ON MARKET PRICES THAN DAILY SALES. (WHEN ITC DELEGATION WAS IN WASHINGTON IN OCTOBER, THEY AGREED WITH THAT ASSESSMENT.)

D. LAGGING PRICE FEATURE WILL APPLY TO DELIVERIES UNDER LONG-TERM CONTRACTS AND TO DAILY SALES.

E. BUYERS WILL BE OBLIGATED TO TAKE QUANTITY CONTRACT CALLS FOR DURING PERIOD OF CONTRACT. THEY CANNOT FOREGO PORTION OF THAT CONTRACT.

F. LONG-TERM PROGRAM IS "ALONG SAME LINES AS PRESENT INTERIM PROGRAM" WITH ADDITION OF LONG-TERM CONTRACTS. IMPORTANT SIMILARITY IS THAT GSA SALES ARE CONDITIONED BY MARKET CHANGES. THERE IS NO "TARGET" SALES FIGURE AND THEREFORE NO FIRM TWO-THIRDS CONTRACTS, ONE-THIRD DAILY SALES SPLIT. GSA "ANTICIPATES" LONG-TERM PROGRAM WILL PROBABLY RESULT IN SUCH SPLIT, BUT UNTIL MARKET IS TESTED BY SOLICITATION FOR BIDS ON CONTRACTS, WE WILL NOT KNOW HOW MUCH TIN CAN BE SOLD IN THIS MANNER.

G. ANSWER IS ESSENTIALLY SAME AS (F) ABOVE. WITH TIN MARKET VERY STRONG (PRICES HAVE BEEN AT RECORD LEVELS IN NEW YORK AND LONDON AND ON NOV. 26 REACHED RECORD 839 MALAYSIAN DOLLARS PER PICUL IN PENANG), GSA WILL MAKE LARGE DAILY SALES IN ADDITION TO LONG-TERM CONTRACTS. THUS DAILY SALES MAY BE MAJOR, NOT MINOR, FEATURE OF PROGRAM IF CURRENT MARKET CONDITIONS CONTINUE.

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2. AS EXPLAINED PARA ONE REFTTEL (C), GSA WILL MODERATE ITS SALES IF MARKET MOVES SHARPLY DOWNWARD. DAILY SALES AND ANY NEW LONG-TERM CONTRACTS WOULD BE ADJUSTED IF THERE WERE PRECIPITOUS FALL IN PRICES. SHOULD ALSO BE BORNE IN MIND THAT ITC HAS IN 5-MONTH PERIOD OF RISING PRICES NEARLY EXHAUSTED A 12,000 TON BUFFER STOCK AND IS NOW UNABLE TO SERVE INTERESTS OF CONSUMER MEMBERS. IF PRICES

FALL TO BUFFER STOCK BUYING RANGE, WE WOULD EXPECT ITC TO
REPLENISH ITS DEPLETED BUFFER STOCK AT LEAST TO
10,000 LEVEL BEFORE LOOKING TO GSA TO SUPPORT PRICE BY
CURTAILING SALES. ENTIRE TIN MARKETING SYSTEM THUS HAS
CONSIDERABLE FLEXIBILIY EVEN IF AS MUCH AS 12,000 TONS IS
COMMITTED FOR DELIVERY UNDER LONG-TERM GSA CONTRACTS.
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